

would work contrary to the principle of market efficiency. Canada agrees that the cooperative mechanisms should aim towards achieving cost effectively the targets Annex 1 Parties agreed to at Kyoto --- namely an aggregate emissions reduction of 5.2% from 1990 levels by 2010. Targets agreed to at Kyoto should not be subject to renegotiation.

Meanwhile, the discussions on the evolution of the newly created CDM should receive special priority at this session. As you know, Mr. Chairman, the Kyoto protocol includes a provision allowing Parties to count certified emissions reduction obtained starting in the year 2000 towards their emissions target. As a result, the timely definition of a transparent and efficient CDM institutional structure is critical to provide incentives for early private and public participation in projects which reduce GHG emissions by source or enhance anthropogenic removals by sinks. An over-riding objective is for the CDM to evolve in a manner that is mutually-beneficial to both investor and host Parties, specifically how the CDM can support climate friendly development efforts in developing countries. But we believe discussions on function must precede form - we therefore suggest that our work first focus on issues such as baselines, and of criteria and procedures for crediting projects, before we discuss institutional and governance issues..

Similarly, Joint implementation is another mechanism that requires timely development in order to offer Annex 1 Parties and their private entities the incentive to undertake projects which reduce GHG emissions by source or enhance anthropogenic removals by sinks in another Annex 1 country. Work on Joint Implementation should focus on ensuring that JI is workable and attractive to the private sector. Clear rules, guidelines and modalities for JI should be developed in a way that they instill confidence in JI investments.

There are also cross-cutting issues germane to all the mechanisms, including carbon sequestration, other methodological issues and how to ensure that the mechanisms operate to allow for transferable, certified units. On the issue of carbon sequestration, we support a separate contact group on sinks.

We look forward to working cooperatively and constructively with our partners on these important issues.

Thank you.

June 2, 1998